

House Republican Press Release

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Rep. Kalinowski Opposes \$31-Billion Two-Year Budget



State Representative Raymond C. Kalinowski (R-100th, Middletown, Middlefield, Durham) has voted against a proposed \$31-billion, two-year budget that increases state spending by 12.2 percent over the next two years.

Rep. Kalinowski said, “This budget sends a message to people who have saved all their lives, ‘Move elsewhere.’ It tells businesses, “Take your jobs somewhere else.”

“Connecticut is still recovering the 156,000 jobs lost in the 1989-1993 economic slowdown,” added Rep. Kalinowski. “Connecticut is still lagging the nation in job growth, income growth and job creation. We should encourage businesses to come here, not send them away to other state and other nations.”

Rep. Kalinowski supported several amendments, which the legislative majority rejected:

- Exempting 50 percent of military retirement pay from the state income tax
- Exempting 50 percent of all public and private pension benefits from the state income tax
- Exempting family farms from the state death tax
- Exempting primary residences from the state death tax
- Eliminating the 20 percent corporate income tax surcharge
- Protecting payments collected on consumers’ electric bills for the Conservation and Load Management Fund from being raided for General Fund purposes. Rep. Kalinowski said taking money from utility bills is the most regressive form of taxation.

Rep. Kalinowski noted that virtually all of the anticipated \$700 million surplus from the current fiscal year will be spent.

He said, “It is astonishing that, after all the state has been through, that about 90 percent of this surplus is being spent on various programs and only \$70 million will be returned to the state Rainy Day Fund for future emergencies. This is a glaring example of uncontrolled spending practices.”

Rep. Kalinowski also criticized the legislature’s failure to restore the annual \$500 property tax credit that taxpayers receive when filing their annual state income tax returns. The \$500 credit was reduced during fiscal hard times a few years ago to \$350. The credit is scheduled increase to \$400 in 2006.

Further, Rep. Kalinowski questioned the inclusion of an \$18-million slush fund for which no uses have been identified and which will be allocated at the direction of the House and Senate leadership.

The budget passed the state House of Representative mostly along party lines, and now goes to the state Senate and then to the governor for her signature.

Other elements of the budget are as follows:

- The budget breaks the spending cap in three consecutive years. The declarations in each year to not include certain expenditures keep spending below the cap.
- The budget increases spending by 8.9% in the first year of the biennium. This is hardly the minimal growth needed to get through a major deficit.
- Not only is there not a penny of net spending cuts in the budget, the spending portion actually worsens the gap by exceeding current law spending by over \$110 million.
- To maintain the illusion that the deficit is eliminated, the budget employs about \$300 million each year in gimmicks. These build a hole in the outyears.
- To pay for the spending package, this budget spends close to \$650 million of the projected \$700 million surplus.
- The tax package includes almost \$738 million in new and deferred tax increases over the biennium. The centerpieces of these taxes are the estate tax and the corporate surcharge.
- Bridgeport, Hartford, and New Haven receive \$20 million or 32% of the total \$62 million in education funding. The student population represents only 11.9% of all students.
- Of the entire \$90 million increase in municipal aid, those same big cities receive \$28 million or about 31% of the total increase. The total population of the three towns represents only 11.4% of the state’s total population.
- The budget sets aside \$18 million over the biennium as a slush fund.

Spending Cap

The OFA analysis indicates that the two years of the biennial budget are slightly under the spending cap. Without declaration from the Governor, the budget in both years exceeds the cap by over \$200 million. More importantly, spending in the current fiscal

year exceeds the cap by hundreds of millions of dollars. This budget proposal violates the cap not once or twice, but three times.

How does this budget close the budget gap?

- Spending Cuts – Not only is there not a penny of net spending cuts in the budget, the spending portion actually worsens the gap by exceeding current law spending by over \$110 million.
- Gimmicks – The absence of any spending cuts is masked by the use of surplus in the budget. Surplus money is appropriated this fiscal year and carried forward into the next two years in order to maintain the illusion of being under the cap. One-shot revenues total about \$300 million.
- Taxes – The tax package includes almost \$400 million in new and deferred tax increases. The centerpiece of these taxes are the estate tax and the corporate surcharge.